



# WORLD MARKETS AND TRADE

January 2008

## Frozen Potato Products

### Summary

The U.S. net trade deficit in frozen potato products is narrowing due to surging exports, despite growing global competition. Exploding world demand for these products is outstripping global supplies and is the main driver of the export growth.

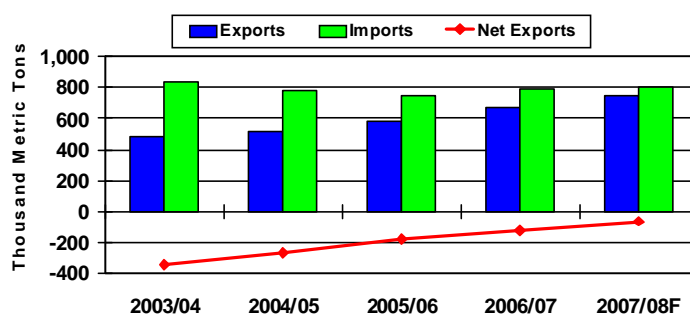
### U.S. Exports Outpace Imports

Frozen potato production is expected to rise 5 percent to a record 3.4 million tons in 2007/08, as a result of greater fresh potato production available for processing into frozen fries and accelerating demand in international markets.

Due to a weak dollar and expanding global demand, U.S. exports for the first five months of 2007/08 were strong, particularly to some of our largest markets (Japan, up 7 percent; and Canada, up 22 percent). U.S. exports to all markets are forecast up 10 percent to 740,000 tons. Higher prices are offset by favorable exchange rates, greater global demand, and limited world supplies.

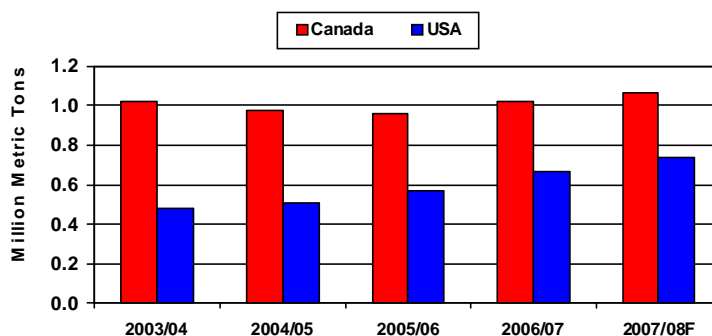
### U.S. Net Trade Deficit in Frozen Potato Products Narrows

*Exports Forecast to Grow 50 Percent From 2003/04, Imports Expected to Remain Flat*



### U.S. Frozen Potato Products Exports Grow, Canada's Remain Flat

*U.S. Exports Forecast Up 10-Percent in 2007/08, While Canada Expects Only 4-Percent Growth*



## Canada's Exports Flat, Imports Up

Frozen potato production is export driven, with three-quarters of production exported, and is forecast at 1.4 million tons, up slightly from the previous year, spurred by increased global demand.

Exports are projected at 1.1 million tons, up only 4 percent, almost all which have been shipped traditionally to the United States. However, in recent years, as the Canadian dollar has appreciated against the U.S. dollar, processors have been increasing their exports to the rest of the world, where rising disposable incomes and economic growth are creating additional demand.

Also, producers are making important domestic and international industry

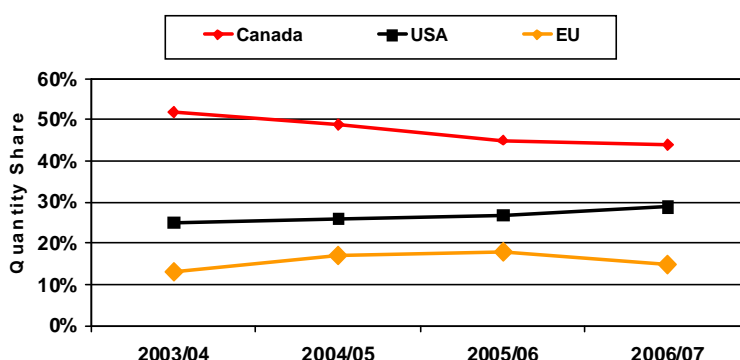
investments. McCain Foods, a Canadian company, recently announced it will replace its fry plant in New Brunswick, Canada, with a new state-of-the-art facility and plans to build a fry processing plant in the Pacific Northwestern United States in 2008.

Canada buys virtually all of its imports from the United States. Imports are forecast to rise 10 percent to 50,000 tons, spurred by the weak U.S. dollar and rising demand.

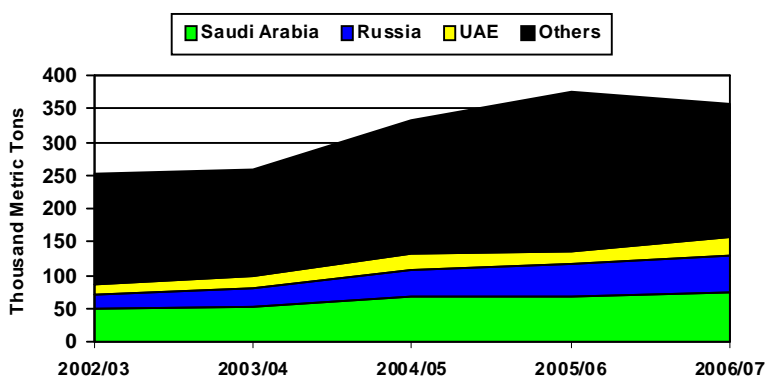
## EU's Exports Growing, Imports Negligible

The EU-27 is the world's third largest exporter, with most of it shipped to the Middle East and Russia. Over the past five marketing years, shipments jumped 40 percent to 360,000 tons. From July-November 2007, exports were 190,000 tons, up 20 percent from the previous year.

### U.S. Grabs Global Export Market Share from Canada



### EU's Exports to the Middle East & Russia Account for Most of the Growth



The EU's imports are negligible, with Turkey accounting for about half, followed by Canada (25 percent) and the United States (15 percent).

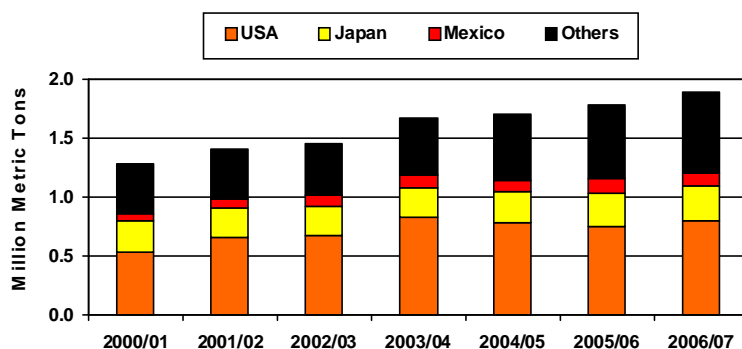
### Japan's Imports from the United States Continue to Grow

Japan is the world's second largest importer, with imports forecast to inch upward to just over 300,000 tons. Buyers have been diversifying suppliers as prices of U.S. product have risen in the past two years. According to FAS/Tokyo, a major hamburger chain procured Canadian product this year due to a more competitive price than U.S. products, and European suppliers also reportedly offered better prices.

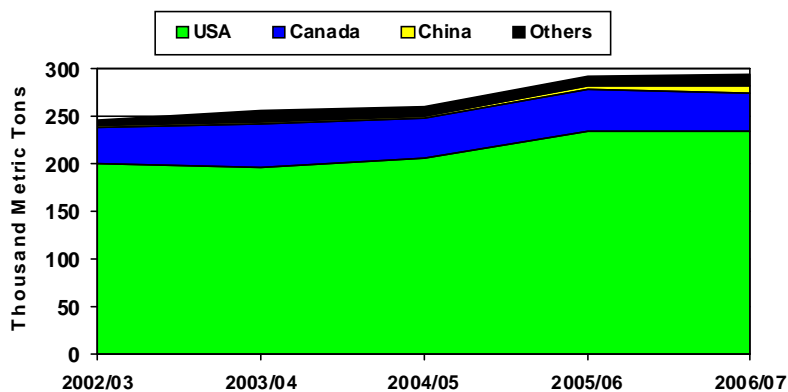
### China Expected to Continue Impressive Growth

Frozen potato production is expected to reach 55,000 tons, up 22 percent from the previous year, as a result of growing consumer demand. The fast food market is expanding faster than its domestic supply, so it must fill the gap with imports. Currently, imports account for about 65 percent of consumption, with the United States supplying over 60 percent. Imports are projected to rise at least 5 percent to 58,000 tons. Despite the net trade deficit, China exports some of its product to Japan, where it can get higher prices.

### World Demand for Frozen Potato Imports Surged by 30 Percent Over Last 7 Years *U.S. Continues to Dominate Imports*



### Japan's Imports of Frozen Potato Products Dominated by the United States



### **Australia's Imports Rise**

Australia's industry has been declining in the past few years, as a result of drought, which reduced potato supplies, and recent industry restructuring. Over the first five months in 2007/08, imports reached 27,000 tons, up 25 percent over the same period in the previous year. New Zealand supplies 90 percent.

Despite the decline in the industry, Australia still ships product to New Zealand.

*For additional production, supply, and demand information, please visit our website at <http://www.fas.usda.gov/psdonline/psdHome.aspx> For additional attaché reports, go to <http://www.fas.usda.gov/scripts/AttacheRep/default.asp> For more commodity and trade information, please contact Shari Kosco at 202-720-2083 or [shari.kosco@usda.gov](mailto:shari.kosco@usda.gov).*